

**METROCREST
SERVICES**

FINANCIAL STATEMENTS

September 30, 2015

METROCREST SERVICES
TABLE OF CONTENTS

	<u>Page</u>
Independent auditor's report	1-2
Statement of financial position	3
Statement of activities	4
Statement of functional expenses.....	5
Statement of cash flows	6
Notes to financial statements	7-15

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Independent Auditor's Report

To the Board of Directors
Metrocrest Services

We have audited the accompanying financial statements of Metrocrest Services (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metrocrest Services as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Burawski, Mann, Anthonissen & Co., P.C.

Dallas, Texas
February 17, 2016

METROCREST SERVICES
STATEMENT OF FINANCIAL POSITION
September 30, 2015

ASSETS

Current assets:	
Cash and cash equivalents	\$ 306,035
Investments, current	302,671
Support receivables	109,377
Inventory	121,426
Prepaid expenses and deposits	<u>37,652</u>
Total current assets	877,161
Property and equipment, net	182,389
Investments, long term	149,042
Security deposits	<u>12,819</u>
Total assets	<u>\$ 1,221,411</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 37,031
Payroll and related liabilities	86,376
Deferred revenue	<u>28,530</u>
Total current liabilities	<u>151,937</u>
Net assets:	
Unrestricted	804,534
Temporarily restricted	191,398
Permanently restricted	<u>73,542</u>
Total net assets	<u>1,069,474</u>
Total liabilities and net assets	<u>\$ 1,221,411</u>

The accompanying notes are an integral part of these financial statements.

METROCREST SERVICES
STATEMENT OF ACTIVITIES

For the year ended September 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:				
Contributions and grants	\$ 1,135,283	\$ 858,006	\$ -	\$ 1,993,289
Resale store operations, including \$549,092 of donated goods	1,089,584	-	-	1,089,584
Program service revenue	73,193	-	-	73,193
Special event revenue	228,380	-	-	228,380
Donated goods and services - other	1,110,844	-	-	1,110,844
Investment loss, net	(2,102)	-	-	(2,102)
Net assets released from restrictions	899,179	(899,179)	-	-
Total unrestricted revenues and support and reclassifications	<u>4,534,361</u>	<u>(41,173)</u>	<u>-</u>	<u>4,493,188</u>
Expenses:				
Resale store operations	888,462	-	-	888,462
Programs	2,807,590	-	-	2,807,590
Supporting services	260,491	-	-	260,491
Fundraising	286,647	-	-	286,647
Total expenses	<u>4,243,190</u>	<u>-</u>	<u>-</u>	<u>4,243,190</u>
Increase (decrease) in net assets	291,171	(41,173)	-	249,998
Net assets, beginning of year	<u>513,363</u>	<u>232,571</u>	<u>73,542</u>	<u>819,476</u>
Net assets, end of year	<u>\$ 804,534</u>	<u>\$ 191,398</u>	<u>\$ 73,542</u>	<u>\$ 1,069,474</u>

The accompanying notes are an integral part of these financial statements.

METROCREST SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2015

	Resale Store Operations	Programs	Supporting Services	Fundraising	Total
Salaries and wages	\$ 180,929	\$ 639,612	\$ 114,554	\$ 168,935	\$ 1,104,030
Payroll taxes	13,478	45,375	5,190	9,251	73,294
Employee benefits	31,255	53,236	13,217	19,723	117,431
Contracted services	2,737	28,180	42,241	7,901	81,059
Supplies	3,205	19,777	11,812	3,868	38,662
Printing and shipping	390	38,496	9,236	15,151	63,273
Transportation	18,943	104,098	673	1,882	125,596
Specific assistance	46	555,430	-	-	555,476
In-kind expenses	534,058	1,114,430	400	-	1,648,888
Occupancy costs	82,117	122,997	7,825	9,740	222,679
Communications	2,893	13,875	1,934	457	19,159
Equipment costs	-	9,614	17,582	-	27,196
Depreciation	3,735	50,557	13,967	174	68,433
Insurance	3,626	2,659	10,570	-	16,855
Public relations	3,472	5,341	248	45,313	54,374
Other	7,578	3,913	11,042	4,252	26,785
	<u>\$ 888,462</u>	<u>\$ 2,807,590</u>	<u>\$ 260,491</u>	<u>\$ 286,647</u>	<u>\$ 4,243,190</u>

The accompany notes are an integral part of these financial statements.

METROCREST SERVICES
STATEMENT OF CASH FLOWS
For the year ended September 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 249,998
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	68,433
Realized and unrealized net investment loss	4,982
(Increase) decrease in operating assets:	
Support receivables	(19,088)
Inventory	(10,157)
Other assets	(9,014)
Increase (decrease) in operating liabilities:	
Accounts payable	17,812
Accrued liabilities	16,792
Deferred revenue	10,800
Net cash provided by operating activities	<u>330,558</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(51,093)
Proceeds from redemptions of investments	142,231
Purchases of investments	<u>(372,510)</u>
Net cash used in investing activities	<u>(281,372)</u>
Net increase in cash and cash equivalents	49,186
Cash and cash equivalents, beginning	<u>256,849</u>
Cash and cash equivalents, ending	<u>\$ 306,035</u>

No income taxes or interest was paid during the year ended September 30, 2015.

The accompanying notes are an integral part of these financial statements.

METROCREST SERVICES NOTES TO FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Agency

Metrocrest Services ("Agency") was established in 1977 as a Texas nonprofit corporation that provides emergency assistance to low-income individuals and families as well as supportive services, information and advocacy for residents aged 60 and older and their families. The Agency is a United Way service provider. Specific assistance, as reflected on the statement of functional expenses, includes distribution of food, clothing, household products, baby products, medical costs, rent and utility payments, transportation and employment. The program goals include supporting the independent functioning and quality of life of older adults. These goals are accomplished through direct services to individuals and education activities directed at the community as a whole. The agency operates a resale store containing donated merchandise that is sold to the public. The Agency's primary sources of revenue include contributions and donated supplies from various donors and special events. The Agency also receives support from the municipal governments of Addison, Carrollton, Coppell, and Farmers Branch, Texas, as well as certain other governmental entities.

The accompanying financial statements classify case management, home repairs, information and referral, transportation, one-to-one outreach and other direct services as direct aid.

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Agency and/or the passage of time.

Permanently Restricted Net Assets – Those funds limited by the donor(s) for permanent investment of principal and use of income.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets (*i.e.*, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value.

METROCREST SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Agency is a nonprofit Agency that is publicly supported as described in Internal Revenue Code (IRC) Section 501(c)(3) and accordingly, is exempt from federal income taxes under IRC Sections 509(a)(1) and 170(b)(1)(A)(vi). Accordingly, no federal income tax is recorded in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributions Receivable and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

The Agency uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance has been deemed necessary at September 30, 2015.

Contributed Goods and Services

Donations of noncash assets, such as contributions to the food pantry and the resale store, are recorded as contributions at their estimated fair value. The Agency also records donated rent at the estimated fair value.

METROCREST SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Goods and Services (continued)

A substantial number of unpaid volunteers have made significant contributions of their time (41,035 hours for the year ended September 30, 2015) to develop and implement the programs of the Agency, principally the resale store, food pantry, and special programs such as the mobile meals, home repair and transportation programs. The value of this time is not reflected in these financial statements. Revenue for these contributed services do not meet the criteria described in Note 9 and has not been recognized as revenue in the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all currency on hand, demand deposits with banks or financial institutions, and highly liquid short-term investments to be cash and cash equivalents.

Inventory

Inventory, consisting primarily of food, household products, school supplies, furniture and clothing, is carried at cost or estimated fair value at the date of donation. Inventory is valued based on the first-in first-out method.

The Agency receives contributions of goods and materials and processes these contributions as merchandise available for sale in its resale store. The merchandise available for sale in its resale store consists mainly of clothing and household items.

The Agency also receives contributions of food, hygiene items, cleaning products and household supplies which are distributed without charge to qualifying clients.

Financial accounting standards require that contributions received be recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Contributions should be measured at their fair value. The Agency believes that the inventory of contributed goods and materials does not possess an attribute that is easily measureable or verifiable with sufficient reliability to determine an inventory value at the time of donation. It is only through the value-added processes that prepare the donated inventory for sale that the donated inventory has value. Accordingly, contributed goods and materials inventory are valued at zero prior to being offered for sale. The Agency considers the costs associated with bringing the donated inventory to sale (i.e., donation collection, transportation, sorting and pricing expenses) in its estimate of the fair value of inventory.

METROCREST SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are carried at cost or estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance charges are expensed as incurred. Repairs that materially extend the life of an asset are capitalized.

Accounting for Uncertainty in Income Taxes

The Organization has adopted ASC 740-10 "Accounting for Uncertainty in Income Taxes" which became effective for years ending after September 15, 2009. Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-20 would be immaterial to the financial statements and do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position. Federal tax returns of the entity are generally open to examination by the relevant taxing authority for a period of three years from the date the returns are filed.

Fair Value Measurements

The Organization has adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, which provides the framework for measuring fair value. The Organization held the Endowment fund subject to fair value reporting on September 30, 2015 as further discussed in Note 4. The statement did not have an impact on the Organization's nonfinancial assets and nonfinancial liabilities that are not permitted or required to be measured at fair value on a recurring basis.

NOTE 2 — SUPPORT RECEIVABLES

Support receivables as of September 30, 2015 consisted of the following:

United Way	\$ 82,500
Program services	13,994
Various donors	12,883
	<u>\$ 109,377</u>

METROCREST SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 3 — INVESTMENTS

As of September 30, 2015, investments were comprised of the following:

	<u>Cost</u>	<u>Estimated Fair Value</u>
Pooled funds	\$ 73,542	\$ 71,485
Certificates of deposit	<u>378,171</u>	<u>378,171</u>
	<u>\$ 451,713</u>	<u>\$ 449,656</u>

Net investment loss for the year ended September 30, 2015 consisted of the following:

Interest income	\$ 4,715
Realized gains	430
Change in unrealized losses	(5,412)
Investment fees	<u>(1,835)</u>
	<u>\$ (2,102)</u>

Financial Accounting Standards Board (FASB) ASC 820, *Fair Value Measurements*, establishes a framework for measuring value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted fair prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

At September 30, 2015, the Agency held investments and restricted cash at Level 1 measurements only. Level 1 is described as inputs to the valuation methodology that are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access. Pooled funds above were invested 40% in a short-term bond index, 42% in a total stock market index, and 18% in an international stock index.

NOTE 4 — ENDOWMENT FUNDS

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Agency has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as permanently restricted net assets:

METROCREST SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 4 — ENDOWMENT FUNDS (CONTINUED)

1. The original value of the gift; and
2. The original value of subsequent gifts to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Agency and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Agency; and
7. The investment policies of the Agency.

The Agency has adopted investment and spending policies for endowment assets, the objective of which is to preserve and enhance the purchasing power of assets held for the benefit of the Agency while providing a stream of income to provide financial support for the Agency.

In order to achieve this objective, the Agency selects one or more investment advisors and instructs those advisors as to the proper allocation of the assets under their individual management. In general, assets are allocated among stocks, mutual funds, bonds and cash or cash equivalents.

The Agency has a policy of appropriating for distributions the net interest and dividends of its endowment funds. In establishing this policy, the Agency considers the long-term expected return on its endowment. This is consistent with the Agency's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts. Endowment net asset compositions by type of fund as of September 30, 2015 were as follows:

METROCREST SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 4 — ENDOWMENT FUNDS (CONTINUED)

	Permanently <u>Restricted</u>	Temporarily <u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Balances as of October 1, 2014	\$ 73,542	\$ -	\$ 2,665	\$ 76,207
Interest and dividends	-	2,496	-	2,496
Fees	-	(507)	-	(507)
Realized and unrealized losses, net	-	(6,711)	-	(6,711)
Deficit	-	4,722	(4,722)	-
Balances as of September 30, 2015	<u>\$ 73,542</u>	<u>\$ -</u>	<u>\$ (2,057)</u>	<u>\$ 71,485</u>

NOTE 5 — INVENTORY

At September 30, 2015, inventory consisted of the following:

Resale store	\$ 39,153
Food pantry	40,337
School supplies	41,936
	<u>\$ 121,426</u>

NOTE 6 — PROPERTY AND EQUIPMENT

At September 30, 2015, property and equipment at cost consist of the following:

		<u>Estimated Useful Lives</u>
Trucks and vans	\$ 313,610	5 years
Computers and equipment	233,646	3 – 5 years
Furniture and fixtures	29,027	5 – 7 years
Leasehold improvements	40,357	7 years
	616,640	
Accumulated depreciation	(434,251)	
	<u>\$ 182,389</u>	

Depreciation expense was \$68,433 for the year ended September 30, 2015.

NOTE 7 — LEASE COMMITMENTS

The Agency leases various buildings and equipment under noncancellable operating agreements through 2020. Future minimum lease payments required under these agreements are as follows:

2016	\$ 108,174
2017	72,033
2018	28,118
2019	4,482
	<u>\$ 212,807</u>

METROCREST SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – LEASE COMMITMENTS (CONTINUED)

Lease expense was \$219,157 for the year ended September 30, 2015, including the in-kind contribution detailed in Note 9.

NOTE 8 — TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2015 consisted of the following:

EFSP-FEMA	\$ 5,060
United Way	82,500
Disaster relief	38,769
Utilities assistance	29,409
Prescriptions and other medical assistance	5,870
Eye glasses and eye exams	5,820
Holiday programs	14,161
School supplies and shoes	<u>9,809</u>
	<u>\$ 191,398</u>

Net assets released from restrictions during the year ended September 30, 2015 were as follows:

EFSP-FEMA	\$ 74,394
Rent and mortgage assistance	25,000
United Way	65,000
Merger assistance	25,334
Disaster relief	88,447
Utilities assistance	65,171
Prescriptions and other medical assistance	475
Utilities and clothing for children	3,209
Eye glasses and eye exams	2,090
Financial education	67,157
GED program	4,799
Sack summer hunger	88,628
School supplies and shoes	35,551
Pantry	54,548
Holiday programs	19,140
Transportation	248,417
Home repair	1,838
Social services	1,900
Employment	23,000
Home delivered meals	4,081
Miscellaneous social services	<u>1,000</u>
	<u>\$ 899,179</u>

METROCREST SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 9— CONTRIBUTED GOODS AND SERVICES

Donated goods and services are recognized as contributions in accordance with U.S. GAAP, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency.

During the year ended September 30, 2015, the Agency received \$1,574,512 of in-kind food pantry, resale store, school supplies, rent and holiday store items that met the accounting requirement for recognition in the financial statements. In addition, the Agency received \$89,592 of donated rent for warehouse space for the year ended September 30, 2015.

For the year ended September 30, 2015, numerous volunteers contributed over 41,000 hours to the Agency in the resale store, food pantry, and special programs. These volunteer hours did not meet the criteria for recording in the financial statements.

NOTE 10— ECONOMIC DEPENDENCY

The Agency is supported primarily through donor contributions and grants, municipal assistance, and retail operations. Sales from retail operations were approximately 12%, municipal assistance represented approximately 16%, and in-kind donations were approximately 37% of the Agency's support and revenue for the year ended September 30, 2015. One donor represents 75% of the support receivables as of September 30, 2015.

The Agency is dependent on future support and revenue in order to meet its obligations as they become due and continue its current level of operations. While no formal long-term arrangements exist, this support is expected to be received from external sources.

NOTE 11— CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in national financial institution branches located in Frisco, TX. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposit amounts in excess of insured limits were \$167,333 at September 30, 2015. Management does not believe that these funds are at risk.

NOTE 12— SUBSEQUENT REVIEW

The management of Metrocrest Services evaluated subsequent events through February 17, 2016 which is the date that the financial statements were available to be issued.